Sheng Siong Group

Market Share Gainer With Superior Margins At A Discount

4 March 2015

SINGAPORE | CONSUMER | INITIATION

- Gaining market share in a highly competitive industry
- Superior margins vs local peers; above average at ASEAN level
- Additional 13.4% store space over next three years
- Initiate with **"Buy"** rating and **SGD0.88 TP**, implying a **26.3%** upside

Investment merits

- **Gaining market share in a highly competitive industry** – Since IPO on 17 Aug-11, Sheng Siong Group Ltd (SSG) is estimated to have gained an additional 3% market share in Singapore's mass-market modern grocery scene. SSG is ranked third in both revenue and store count. The scene is dominated by three major players: SSG, NTUC Co-operative Ltd (NTUC) and Dairy Farm International Holding (DFI).

- **Superior margins vs local peers** – In FY13, SSG commanded superior EBIT margin of 6.8% vs NTUC's 4.4% and DFI's 5%. In FY14, SSG's EBIT margin improved 100 basis points to 7.8%. On a regional basis, SSG's FY13 EBIT and EBITDA margins of 6.8% and 8.2% are above the ASEAN supermarket average of 5.5% and 7.5% respectively.

- **Additional 13.4% store space over next three years** – As of 3 March, SSG has 35 outlets spanning 413,000 square feet of retail space. Management has shared that an additional 55,000 sqf is expected by end-2017. This implies a 13.4% increase from the existing retail space.

Investment risks

- Keen competition from NTUC and DFI.
- Store closures could soften revenue growth.
- Costlier labour could weigh on margins.

Investment Actions

We initiate on SSG with a **"Buy"** rating and **SGD0.88 target price** based on 23.9x P/E (10% discount to peers' average). This represents an upside of **26.3%**.

BUY (Initiation)

CLOSING PRICE	SGD 0.74
FORECAST DIV	SGD 0.05
TARGET PRICE	SGD 0.88
TOTAL RETURN	26.3%

COMPANY DATA

O/S SHARES (MN) :	1,504
MARKET CAP (USD mn / SGD mn) :	810 / 1105
52 - WK HI/LO (SGD) :	0.75 / 0.59
3M Average Daily T/O (mn) :	2.81

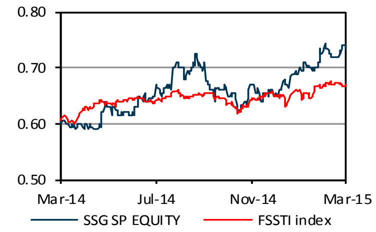
MAJOR SHAREHOLDERS (%)

SS HOLDINGS	29.85%
LIM HOCK CHEE	11.33%
LIM HOCK LENG	11.33%
LIM HOCK ENG	11.33%

PRICE PERFORMANCE (%)

	1MTH	3MTH	1YR
COMPANY	14	13.8	26.8
STI RETURN	(0.50)	2.80	12.84

PRICE VS. STI



Source: Bloomberg, PSR

KEY FINANCIALS

SGD MN	FY13	FY14	FY15F	FY16F
Revenue	687	726	761	780
EBITDA	58	57	68	74
NPAT (adj.)	39	48	52	55
EPS (adj.)	2.81	3.34	3.68	3.89
PER, x (adj.)	21.8	21.0	20.0	18.9
P/BV, x	5.7	4.2	4.4	4.3
DPS (SGD)	2.60	3.00	3.31	3.50
Div Yield, %	4.2%	4.3%	4.5%	4.7%
ROE, %	25.8%	24.7%	21.9%	22.7%

Source: Company Data, PSR est.

Valuation Method

P/E Multiple

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Company Background

Sheng Siong Group Ltd (SSG) is the third largest supermarket chain in Singapore. It provides low-cost essential products to mass market consumers through its no-frills approach. As of 3 March, SSG has 35 outlets located in Singapore's heartlands spanning over 400,000 sqf.

Investment Thesis

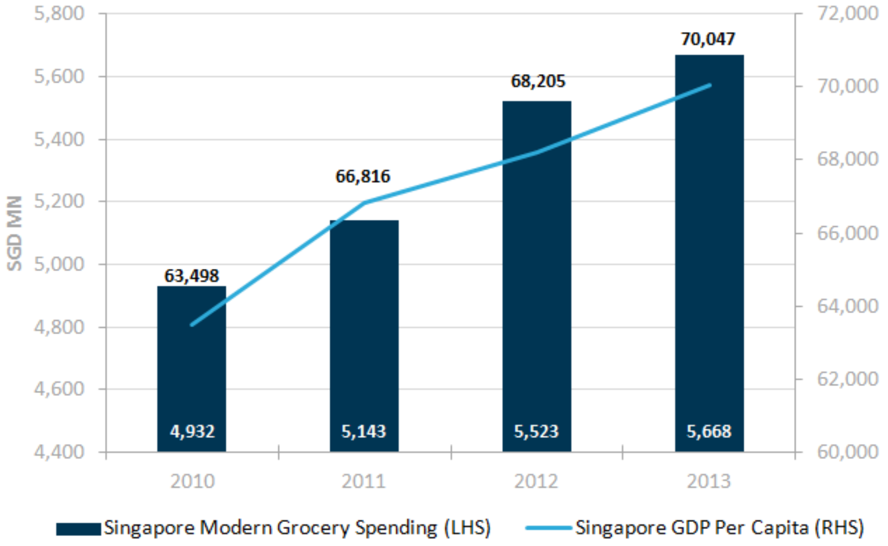
We are positive on SSG's outlook due to the following reasons: 1) Growing population, spending power and shift towards modern grocers, 2) Expanding market share backed by growing store space, and 3) Superior profitability compared to local peers.

Growing Population, Income Spurs Grocery Spending

We think that modern grocers (supermarket/hypermarkets) would benefit from a growing population and income power. In our view, there are direct correlations between population growth, spending power and grocery spending. All three appear to be on an uptrend in Singapore.

According to CEIC, Singapore's population grew 2.1% CAGR to 5.4m while GDP per capita rose 3.3% CAGR to SGD70,047 from 2010 to 2013. Over this period, we estimate modern grocery spending expanded 4.7% CAGR to SGD5.7bn.

Figure 1: Rising spending power drives grocery sales

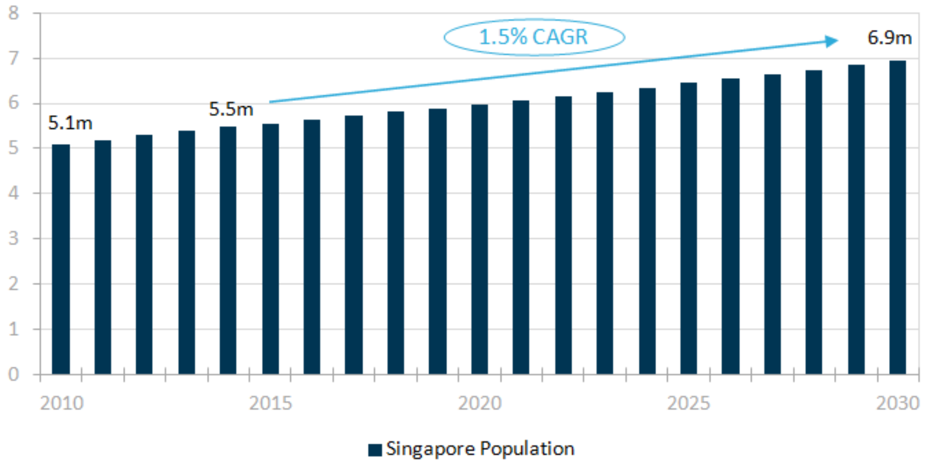


Source: CEIC, Phillip Securities Research (Singapore) Estimates

We think the population will continue growing, albeit at a slower pace. In Jan-13, Singapore's government released a white paper outlining land use and infrastructure planning based on a projected 6.9m population figure in 2030.

The figure is 1.4m people above 2014's population size of 5.5m. This implies a CAGR of 1.5% from 2014 to 2030.

Figure 2: Singapore population estimated to hit 6.9m in 2030



Source: CEIC, Phillip Securities Research (Singapore) Estimates

Shift From Traditional To Modern Grocers

In our view, we think modern grocery retailers will continue taking market share from traditional stores (mom/pop and wet markets). The National Environmental Agency reported a 17% fall in stalls operating at its wet markets from 2000 to 2009.

Wet markets tend to be fragmented. This leads to lower economies of scale compared to modern grocers. They also operate for shorter hours. As a result, they charge higher prices.

Modern grocers are attractive to consumers as they offer: 1) A cleaner air-conditioned environment, 2) A wide variety of products at cheaper prices, and 3) Longer operating hours. These attributes cater to working professionals who find it more convenient to do their marketing after work.

Figure 3: Key players in Singapore's grocery scene

Modern Grocers		Traditional Grocers
Supermarket	Hypermarket	Mom/Pop store Wet market
Cold Storage FairPrice Sheng Siong	Giant FairPrice Xtra	

Source: Phillip Securities Research (Singapore)

Expanding Market Share In A Competitive Environment...

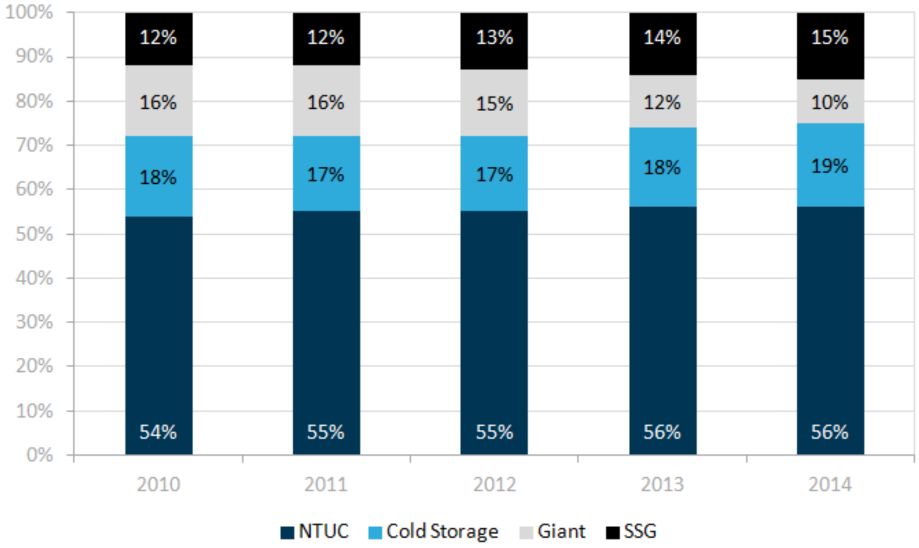
In our view, SSG will continue to increase its market share in Singapore's mass market modern grocery industry with its low-cost / no-frills approach.

There are three major operators in Singapore's modern grocery segment: 1) NTUC Fairprice Co-Operative (NTUC), 2) Dairy Farm International Holdings (DFI), and 3) SSG. NTUC operates the FairPrice chain while DFI operates Giant Supermarket and Cold Storage.

In 1985, SSG opened its first supermarket in Ang Mo Kio. In the three decades since, SSG has risen to be the third largest supermarket chain in Singapore. Comparatively, Cold Storage has been around since 1903 while NTUC opened its first supermarket in 1973.

SSG's market share of the modern grocery industry has been expanding in the past three years. In FY14, we estimate that SSG holds a 15% market share, up 3 percentage points since IPO on 17 Aug-11.

Figure 4: SSG's market share up 3 percentage points since IPO



Source: Company, Phillip Securities Research (Singapore) Estimates

...Backed By Growing Store Space

SSG's expanding market can be attributed to an increase in outlets and store space. Since its IPO, SSG added a net 11 new outlets to 35 stores as of 3 March. Its floor area increased a net 21.8% (73,985 sqf) to 412,988 sqf. By end-2017, SSG is expecting a net 13.4% additional store space of 55,285 sqf.

Figure 5: SSG's retail space timeline

As of 31 Dec	Store Area (sqf)	Store Count
IPO (17 Aug-11)	339,003	24
2011	347,293	25
2012	399,193	33
2013	399,193	33
2014	403,193	34
2015	416,488	37
2016	425,536	36
2017	468,273	38

Source: Company, Phillip Securities Research (Singapore) Estimates

SSG has been prudent in its pursuit of new outlets. Management shared that it prefers to lease its stores if possible. This requires lower capital expenditure and allows SSG to close a store's operations if it does not meet expectations.

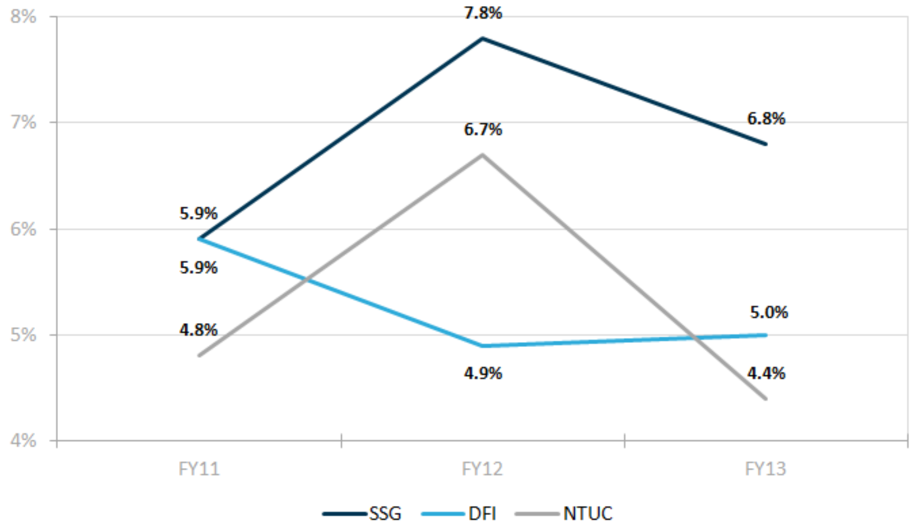
If the location is attractive and hard-to-come by, SSG may purchase the premise. In Dec-14, SSG bought a three-storey building in Tampines (eastern part of Singapore). Previously, it did not have a presence in the area and it is a major residential spot within the country.

SSG paid SGD65mn for the building. The cost works out to be SGD1,558/sqf. This is 14.3% below SSG's FY14 revenue/sqf of SGD1,817. We view this positively as it means a stable revenue/sqf is larger than the cost SSG paid.

Superior Margins Vs Local Peers

SSG has the highest EBIT margin among Singapore players. Between FY09 and FY13, SSG's EBIT margin ranged from 5.9% to 7.8%. NTUC and DFI's EBIT margin (excl. exceptional item) came in between 3.1% to 6.7% and 4.9% to 5.9% respectively.

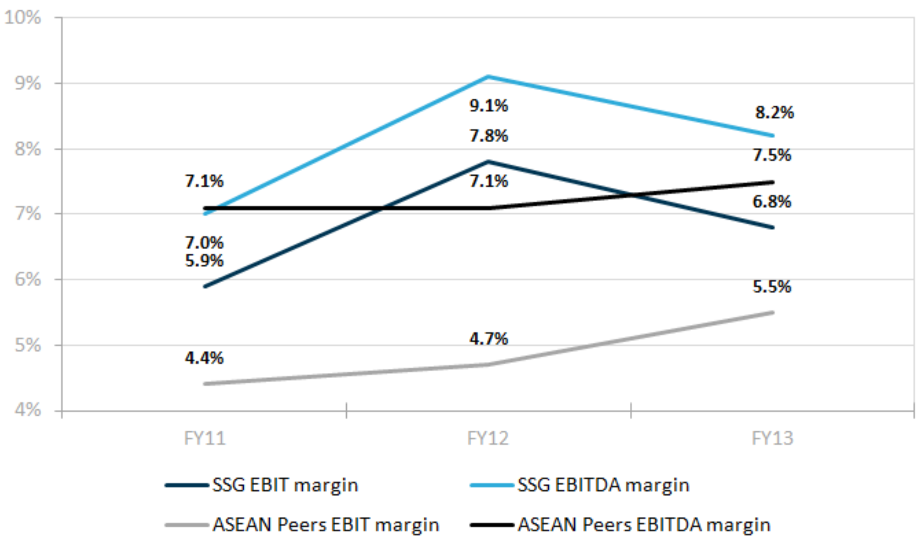
Figure 6: Superior margins compared with local players



Source: Bloomberg, Companies, Phillip Securities Research (Singapore)
Note: An exceptional gain was excluded from NTUC's FY12 EBIT margin

On a regional basis, SSG's FY13 EBIT and EBITDA margins of 6.8% and 8.2% are above the regional ASEAN peers' average of 5.5% and 7.5%.

Figure 7: Above-average margins on ASEAN level



Source: Companies, Phillip Securities Research (Singapore)

In our view, SSG will maintain its superior margins vs peers backed by: 1) Bulk purchasing, 2) Centralized distribution centre, and 3) Larger value extraction.

- We estimate that SSG will bulk purchase 80% of its products within five years. Presently, SSG bulk purchases 60% of its products. This is up 10 percentage points since IPO.

- In Jul-11, SSG completed the construction of its new corporate headquarters and warehousing and distribution centre at Mandai Link for SGD65mn. It has recorded margin expansions at all levels (gross, operating and net) since then.

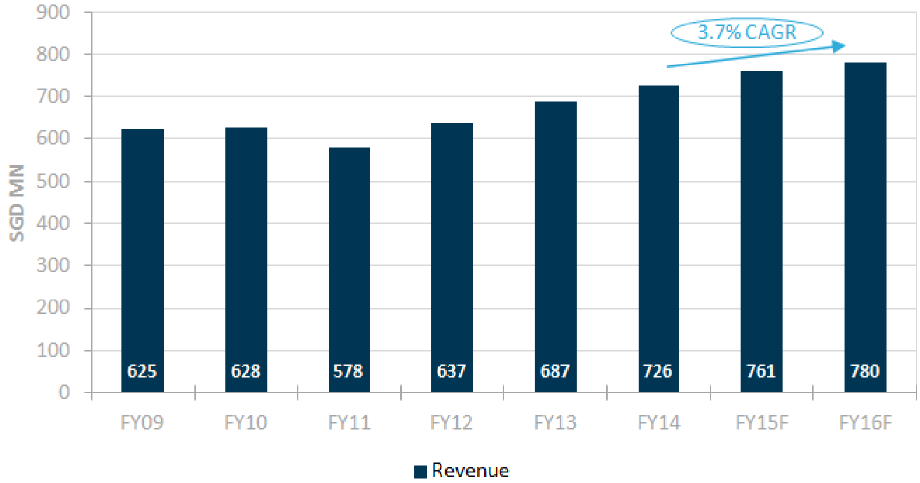
- SSG is able to extract greater value out of the value chain as it is willing to handle the less glamorous side of the grocery business – cutting up meat. SSG obtains whole animals and separates by parts prior to stacking them on the shelves. To Management's knowledge, NTUC and DFI outsource this process.

Assumptions

Modest Revenue Growth Forecast

We forecast a 3.7% CAGR in revenue for FY15/16F. This is attributed to a 3% same-store-sales growth and an additional net 12,548 sqf in floor area (3% increase from existing store space) by end-FY16F.

Figure 8: Revenue CAGR of 3.7% forecast in FY15/16F



Source: Company, Phillip Securities Research (Singapore) Estimates

We like to point out that a further 42,737 sqf of store space (10.4% of existing store space) is expected to be rolled out in 2017.

Revenue Mix Shift To Benefit Gross Margin

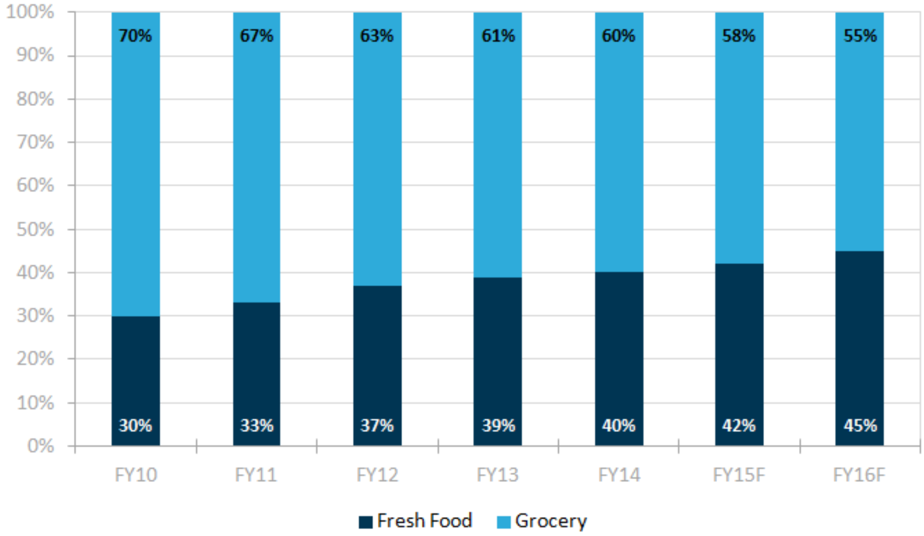
We expect SSG's gross margin to increase by 80 basis points from 24.2% in FY14 to 25% in FY16F. The margin expansion will be led by: 1) Shift in revenue mix towards fresh foods and, 2) Higher proportion of bulk purchase.

SSG's gross margin increased from 21.8% in FY10 to 24.2% in FY14. Over the same period, sales of fresh products contribution to revenue increased from 30% to 40%. At IPO, SSG bulk purchased 50% of its products. At end-FY14, it bulk purchased 60% of them.

We expect fresh products' contribution to revenue to rise to 45% by FY16F as management lifts underperforming stores (those with <40% sales derived from fresh products) and cater more store space to house fresh products.

Management shared that fresh foods enjoy higher gross margin (33%) compared to grocery products (18%).

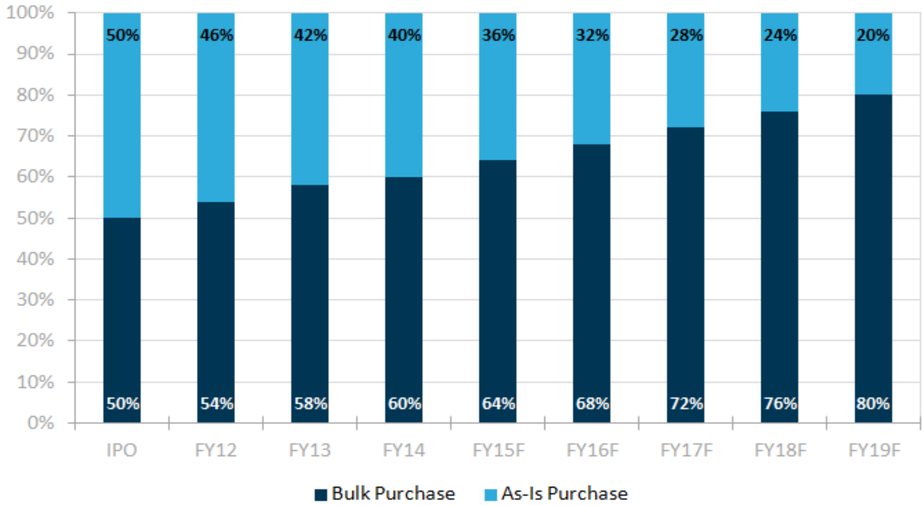
Figure 9: Fresh products forecast to increase to 45% of sales mix in FY16F



Source: Company, Phillip Securities Research (Singapore) Estimates

We forecast bulk purchase to make up 80% of all products sold in FY19F. SSG will be able to derive better economies of scale as bulk purchase increase its share of product bought.

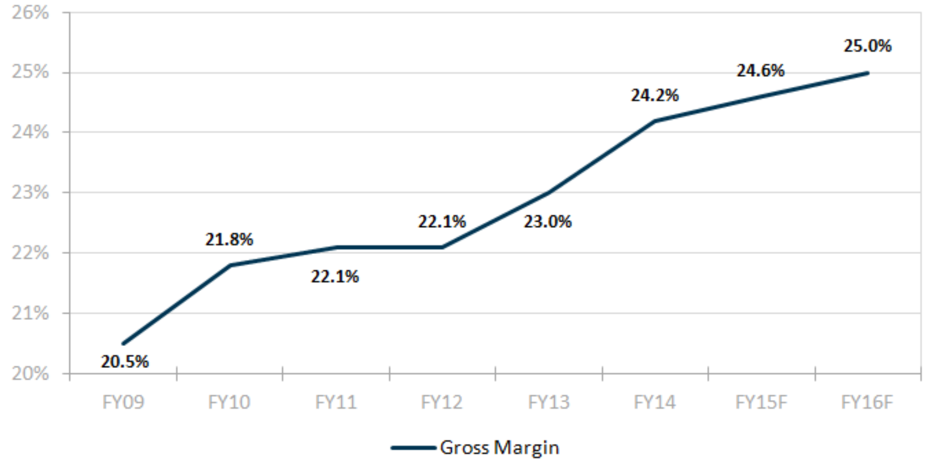
Figure 10: Bulk purchase forecast to increase to 80% of products sold in FY19F



Source: Company, Phillip Securities Research (Singapore) Estimates

As a result, we forecast an 80 basis points expansion in gross margin by FY16F.

Figure 11: Margin expansion led by increased fresh product sales and bulk purchase



Source: Company, Phillip Securities Research (Singapore) Estimates

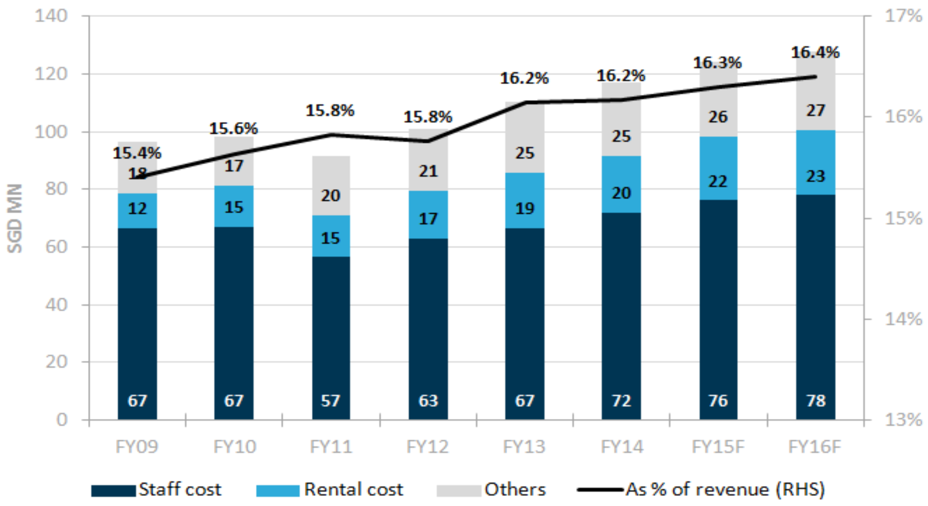
EBIT Margin To Expand As Well, Albeit At A Slower Pace

We forecast EBIT margin to widen by 60 basis points to 8.4% by FY16F. The key driver will be the gross margin expansion, partially offset by higher administrative expenses.

We expect administrative expense as a percentage of revenue to rise by 20 basis points to 16.4% by FY16F. It rose from 15.4% to 16.2% from FY09 to FY14.

There are three components to SSG's administrative expenses: 1) Staff cost, 2) Rental cost and, 3) Others (such as utilities). Staff cost is the largest component, but rental expense grew the fastest.

Figure 12: Administrative expenses as a percentage of revenue to hit 16.4% in FY16F

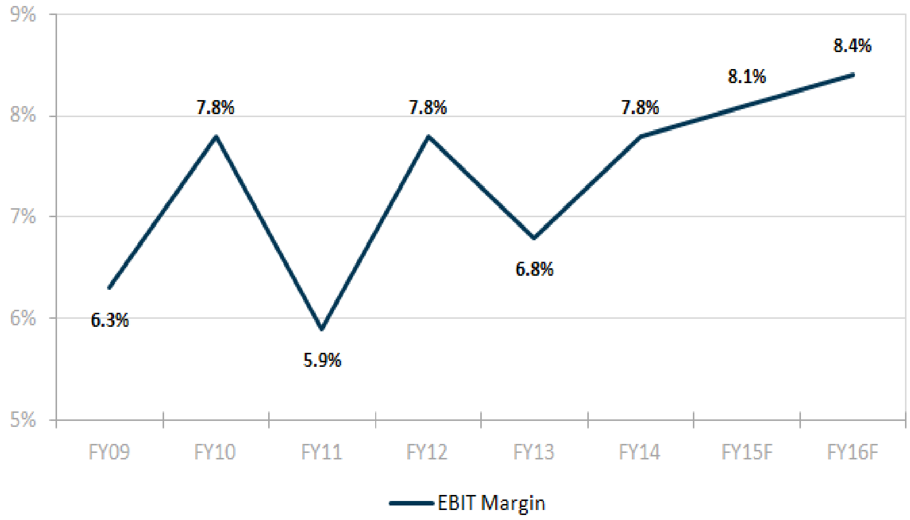


Source: Company, Phillip Securities Research (Singapore) Estimates

We expect the overall increase to be led by rental hikes. Rental expense has grown the fastest, rising from 1.9% of revenue in FY09 to 2.7% in FY14. In FY15F, we expect several SSG store leases to expire and be up for renewal. We expect marginal rental hikes as a result of rental renewals.

Despite the forecast increase in administrative expenses, EBIT margin is forecast to expand by 60 basis points to 8.4% by FY16F. The increase is due to our forecast of higher gross margins.

Figure 13: EBIT margin to hit 8.4% by FY16F



Source: Company, Phillip Securities Research (Singapore) Estimates

Stable Working Capital Cycle Expected

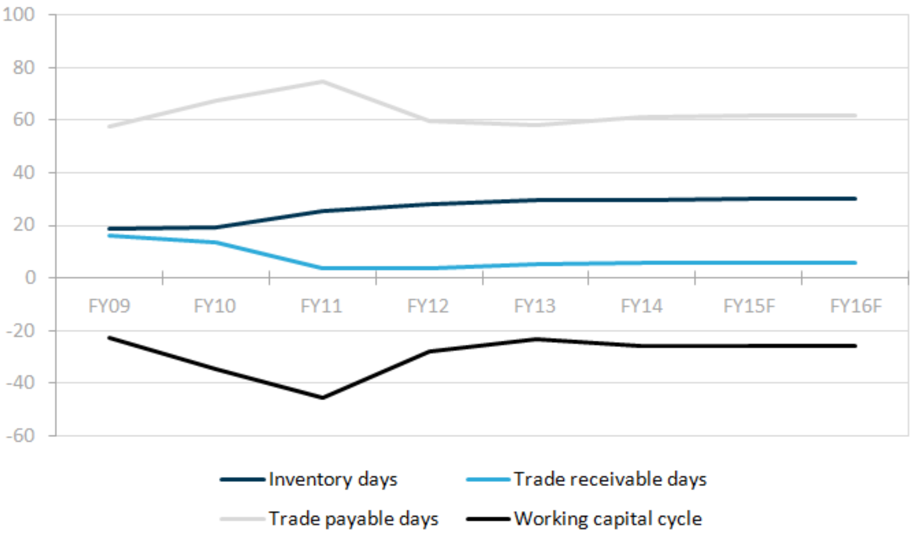
We expect SSG to maintain a negative working capital cycle for FY15/16F. SSG has had a negative working capital cycle since FY08. We do not expect this to change.

We expect SSG to maintain trade receivables days of 6 in FY15/16F. SSG is a supermarket chain. Supermarket chains are cash-based businesses. This means SSG collects its payment at the point of sales via cash or electronic card payment. This results in low trade receivable days of 5.8 in FY14.

We expect inventory days to lengthen slightly to 30 due to new stores rolled out in FY15/16F. Inventory days have risen from 28.1 to 29.4 from FY12 to FY14.

We expect trade payable days to increase to 62 as SSG gains more bargaining power it takes on more goods with an increase in store count. Trade payables days have hovered between 57.9 days and 61.1 between FY12 and FY14.

Figure 14: Negative working capital cycle expected to sustain

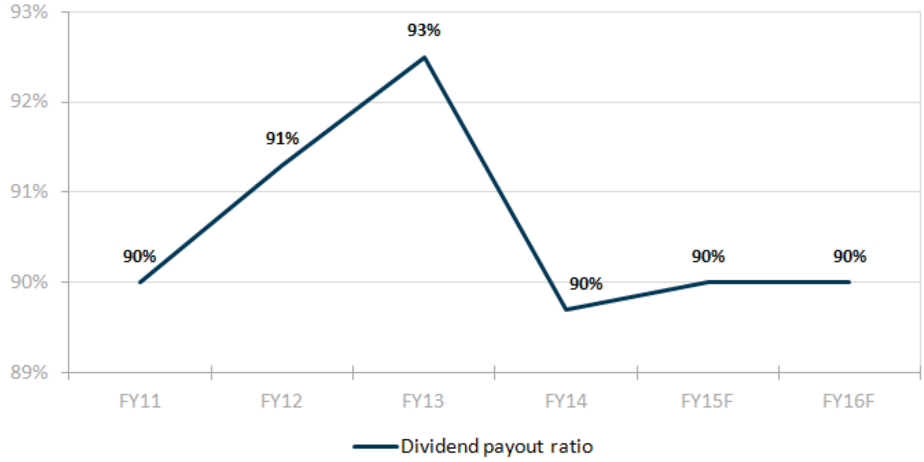


Source: Company, Phillip Securities Research (Singapore) Estimates

Dividend Policy

We forecast a dividend payout ratio of 90% for FY15/16F. For the past four years, SSG has distributed up to 90% of its net profit. Management has reiterated its intent to maintain the payout ratio for the next two years.

Figure 15: SSG reiterated its 90% payout ratio for FY15/16F



Source: Company, Phillip Securities Research (Singapore) Estimates

Risk

Keen competition from NTUC and DFI. Any promotions or aggressive store openings from NTUC and DFI could take away SSG's market share and sales.

Store closures could soften revenue growth. Any closure of stores, temporarily or permanently, will negative impact SSG's revenue.

In 2Q16, SSG will close Loyang Point Supermarket (5,952 sqf or 1.5% of portfolio) to facilitate upgrading works by the Housing & Development Board of Singapore. SSG will be allocated new retail space of ~7,200 sqf at the upgraded Loyang Point, expected in 1Q17.

Presently, SSG is in talks to extend the lease on Woodlands 6A Supermarket (41,441 sqf or 10.3% of portfolio) from Sep-16 to Jun-17. However, SSG may have to vacate the premise eventually to facilitate En bloc activities.

Costlier labour could weigh on margins. As SSG is a retailer, labour cost is a key component of expenses. Unfavourable changes in foreign worker dependency ratio and rising wages may increase labour cost. If labour cost increases, margins may face contraction.

Valuations

Our target price is **S$0.88**, based on 23.9x P/E. This implies **an upside of 26.3%** (with dividends) from its last closing price.

Our primary valuation method is using comparable ASEAN peers' P/E ratio. The average FY15F P/E ratio is 26.5.

Next, we apply a 10% discount for two reasons: 1) Compensate for SSG's smaller market capitalisation (SGD1.1bn) vs larger peers such as DFI (SGD16bn) and CP All Pcl (SGD15.1bn) and, 2) Single country-dependent business. As a result, the P/E ratio used is 23.9x.

Figure 16: SSG Peer Comparison Table

Company	Bloomberg Ticker	Mkt Cap (SGD mn)	EV (SGD mn)	EV/EBITDA TTM	EV/EBITDA FY1	EV/EBITDA FY2	P/E	P/E FY1	P/E FY2	Net D/E (%)	ROA (%)	ROE (%)	P/B
Sheng Siong	SSG SP	1,112.6	933.9	14.9	12.6	11.9	22.3	20.0	18.9	Net Cash	16.0	24.7	5.0
Singapore													
Dairy Farm Intl Hldgs Ltd	DFI SP	16,036.3	15,450.1	15.8	15.0	13.7	23.3	21.3	21.6	Net Cash	12.6	40.7	9.0
Hong Kong													
Lianhua Supermarket Holdings Co Ltd	980 HK	706.9	-436.9	N/A	N/A	N/A	N/A	38.1	41.6	Net Cash	N/A	N/A	0.9
China Resources Enterprise	291 HK	6,871.2	10,067.2	6.8	8.6	7.5	21.3	46.5	50.1	Net Cash	1.1	4.0	0.8
Average				6.8	8.6	7.5	21.3	42.3	45.9	N/A	1.1		0.9
Indonesia													
Matahari Putra Prima Tbk PT	MPPA IJ	2,365.2	2,339.5	25.7	27.2	21.6	47.0	38.3	41.1	Net Cash	8.8	16.4	8.5
Hero Supermarket Tbk Pt	HERO IJ	836.3	847.1	95.1	N/A	N/A	181.7	N/A	N/A	1.9	6.6	9.9	1.5
Ramayana Lestari Sentosa Tbk PT	RALS IJ	533.8	379.2	6.2	5.7	5.4	13.2	12.2	12.2	Net Cash	9.1	11.8	1.5
Average				42.3	16.5	13.5	80.6	25.3	26.7	1.9	8.2	12.7	3.8
Malaysia													
7-Eleven Malaysia Holdings Bhd	SEM MK	723.7	633.9	N/A	10.0	8.3	N/A	21.8	18.8	Net Cash	N/A	N/A	8.8
Parkson Holdings	PKS MK	903.9	1,181.8	5.3	5.1	5.0	12.2	17.8	17.0	Net Cash	1.4	4.6	1.0
Average				5.3	7.6	6.7	12.2	19.8	17.9	N/A	1.4	4.6	4.9
Thailand													
Big C Supercenter Pcl	BIGC TB	8,120.2	8,664.9	14.9	13.5	12.3	26.7	22.9	20.6	32.1	7.2	18.3	4.6
CP All Pcl	CPALL TB	15,114.2	21,929.7	23.2	16.5	14.1	35.4	25.6	20.6	470.8	3.2	34.1	11.7
Robinson Department Store Pcl	ROBINS TB	2,394.3	2,454.9	32.2	12.1	10.2	29.5	24.0	20.1	5.6	9.2	16.3	4.6
Siam Makro Pcl	MAKRO TB	7,470.4	7,518.7	25.3	18.9	15.7	36.3	28.4	24.4	9.4	12.2	41.0	13.9
Average				23.9	15.3	13.1	32.0	25.2	21.4	129.5	8.0	27.4	8.7
Philippines													
Robinsons Retail Holdings Inc	RRHI PM	3,632.7	3,385.7	N/A	18.1	14.3	N/A	26.5	27.2	Net Cash	N/A	N/A	3.0
Puregold Price Club	PGOLD PM	3,363.2	3,430.4	15.2	15.1	13.0	25.2	21.5	21.9	7.0	9.3	13.6	3.2
Average				15.2	16.6	13.7	25.2	24.0	24.6	7.0	9.3	13.6	3.1
Simple Average (Excl. SSG)				24.2	13.8	11.8	41.1	26.5	25.9	87.8	7.3	19.2	5.2

Source: Bloomberg, Phillip Securities Research (Singapore) Estimates

Company Background

Sheng Siong Group Ltd (SSG) is the third largest supermarket chain in Singapore. It provides low-cost essential products to mass market consumers through its no-frills approach. SSG listed on the SGX on 17 Aug-11.

SSG started as a family-owned retail store in 1985 by taking over the retail space of Savewell in Ang Mo Kio Avenue 3.

SSG has its own television variety programmes named "The Sheng Siong Show", a 'live' Mandarin variety game show telecast on MediaCorp's Channel 8 since 2007, and "Sheng Siong Live!" on Suria (Malay) since 2009.

SSG has 35 outlets located in Singapore's heartlands spanning over 400,000 sqf.

Figure 17: Map of SSG's store locations

Source: Company

SWOT Analysis

Strength	Weakness
• Low-cost strategy. SSG buys its products in bulk and looks to open stores with no competition and cheap rent. This allows the firm to offer affordable prices to its customers. • Evergreen industry. Grocers are able to tide through economic downturns as customers still need to eat during bad times. • Proximity to customers. SSG aims to open its stores within dense residential catchments. This allows them to be near their customers.	• Dependency on domestic market. Presently, SSG derives all of its revenue from Singapore. • Location constraint. Customers tend to visit grocery stores near their house.
Opportunities	**Threats**
• Increase Fresh Product Sales. As fresh products offer better margins, an increase in sales could widen SSG's margins. • Overseas expansion. In Dec-14, SSG inked a JV to operate supermarkets in China. In its IPO prospectus, SSG shared its intention to expand into Malaysia. • Housebrands. As housebrands offer better margins, SSG could look to expand its range of offerings to improve its profitability.	• Highly competitive industry. Market share moves at a glacier pace. • Food scandal. Any indication of a food scare within SSG's stores would potentially have a negative impact on its sales.

Source: Company, Phillip Securities Research (Singapore)

Brand

SSG offers over 400 items under its 10 house brands. The products are purchased from contract manufacturers in Australia, China, Indonesia, Malaysia and Singapore. House brands make up ~5% of SSG's total revenue. They were launched in 2009 and 2010.

House brands products fall under the grocery business segment. They offer better gross margins (22%), compared to the overall grocery gross margin (18%).

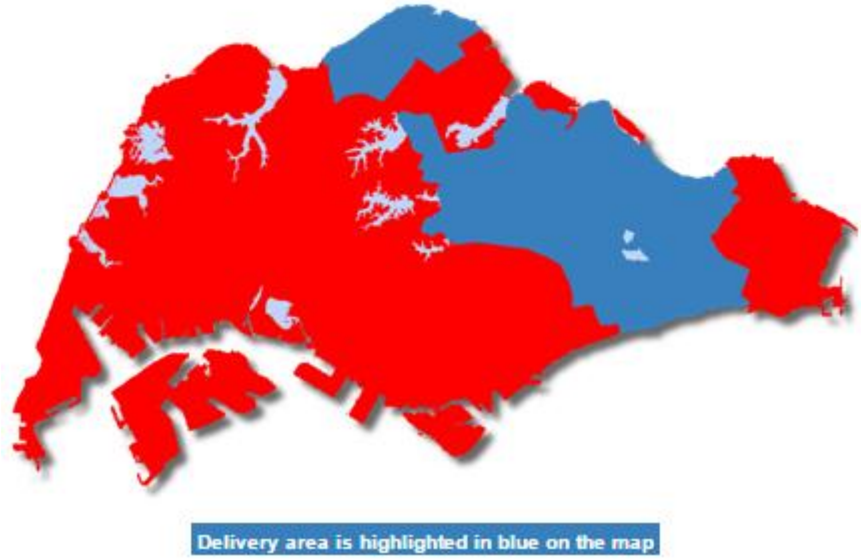
Housebrand	Item (s)
Bake for you	Bread and pastry and confectionary products Launched in 2008
Fruit King 果皇	Canned fruit and fruit products Launched in 2009
happy family	Dried and canned food, condiments and staples Launched in 2009
Jean Fresh	Poultry, chilled beef, processed seafood, fresh fruits and vegetables Launched in 2008
Matahari	Dried and canned food and staples Launched in 2009
哪喃嗪 Nang Rum Thai	Rice Launched in 2009
Power Plus	Laundry detergent Launched in 2008
金禾 Royal Golden Grain	Rice Launched in 2008
Softess	Tissue paper, kitchen towels and bathroom tissues Launched in 2008
Tasty Bites	Processed food and frozen food products Launched in 2008

Source: Company

E-Commerce Rollout

SSG introduced its e-commerce platform, allforyou.sg, in Dec-13. Presently, its delivery service is available in selected North and North-East districts of Singapore.

Figure 18: Online Delivery Area (Highlighted In Blue)



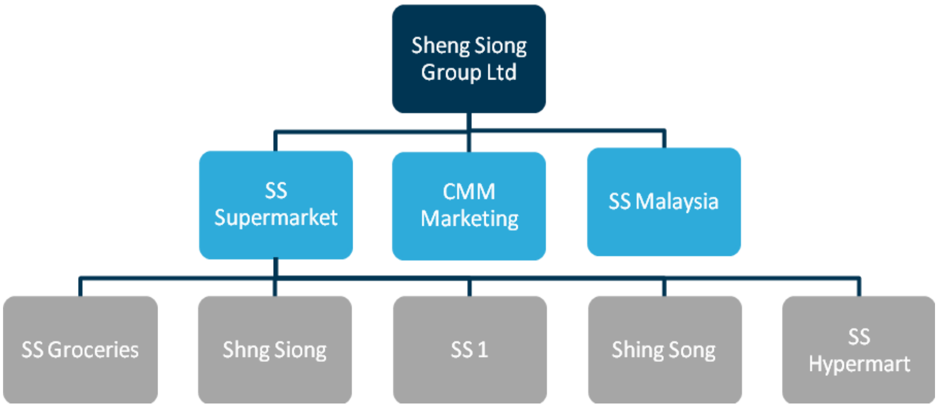
Source: Company

China JV

In Dec-14, SSG inked a JV agreement with Kunming LuChen Group Co., Ltd to operate supermarkets in China. Management shared its desire to expand into Malaysia since listing, but was unable to source for a suitable partner in the country.

SSG's CEO, Mr. Lim Hock Chee, will lead the China JV personally during its initial stage.

Corporate Structure



Source: Company

Shareholding Structure

Source: Company

Key Management Team

Name	Description
Lim Hock Chee Chief Executive Officer	Mr Lim Hock Chee is responsible for SSG's operations, new growth areas and develops business strategies. He also oversees the meat-related business of the grocery retailing operations.
Lim Hock Eng Executive Chairman	Mr Lim Hock Eng is responsible for business strategy and planning and business administration. He also oversees the setting-up process for SSG's new stores, supervise the preparation and submission of bids and tenders for new premises.
Lim Hock Leng Managing Director	Mr Lim Hock Leng is responsible for developing SSG's business in alignment with consumer preferences and consumption patterns. He also oversees the seafood business of the grocery retailing operations.

Source: Company

Financials

Income Statement

Y/E Dec, SGD mn	FY12	FY13	FY14	FY15F	FY16F
Revenue	**637**	**687**	**726**	**761**	**780**
Gross profit	141	158	176	187	195
EBITDA	**58**	**57**	**68**	**74**	**78**
Depreciation & Amortisation	8	10	11	12	12
EBIT	**50**	**47**	**57**	**62**	**66**
Net Finance Inc/(Exp)	1	1	1	1	1
Profit Before Tax	**50**	**48**	**58**	**63**	**67**
Taxation	(9)	(9)	(10)	(11)	(11)
Net profit, reported	**42**	**39**	**48**	**52**	**55**
Net profit, adj.	**31**	**39**	**48**	**52**	**55**

Per share data (SGD Cents)

Y/E Dec	FY12	FY13	FY14	FY15F	FY16F
EPS, reported	3.01	2.81	3.34	3.68	3.89
EPS, adj.	2.26	2.81	3.34	3.68	3.89
DPS	2.75	2.60	3.00	3.31	3.50
BVPS	10.96	10.83	16.60	16.97	17.36

Cash Flow

Y/E Dec, SGD mn	FY12	FY13	FY14	FY15F	FY16F
CFO					
Net Profit	42	39	48	52	55
Depreciation & Amortisation	8	10	11	12	12
WC changes	-6	-3	12	-4	1
Net finance inc/(exp)	-1	-1	-1	-1	-1
Tax paid	-8	-9	-7	-11	-11
Others	-2	9	10	11	11
Cashflow from ops	34	45	72	59	67
CFI					
CAPEX, net	-12	-26	-81	-23	-23
Others	15	1	1	1	1
Cashflow from investments	3	-25	-80	-22	-22
CFF					
Share issuance, net	0	0	79	0	0
Loans, net of repayments	0	0	0	0	0
Dividends	-38	-41	-40	-47	-50
Others	0	0	0	0	0
Cashflow from financing	-38	-41	39	-47	-50
Net change in cash	-2	-21	31	-10	-5
Effects of exchange rates	0	0	0	0	0
CCE, end	**120**	**100**	**130**	**121**	**116**

Balance Sheet

Y/E Dec, SGD mn	FY12	FY13	FY14	FY15F	FY16F
ASSETS					
PPE	75	91	161	171	182
Others	0	0	0	0	0
Total non-current assets	**75**	**91**	**161**	**171**	**182**
Accounts receivables	7	12	11	13	13
Cash	120	100	130	121	116
Inventories	40	46	43	47	48
Others	0	0	0	0	0
Total current assets	**167**	**157**	**184**	**181**	**177**
Total Assets	**242**	**248**	**345**	**352**	**359**
LIABILITIES					
Accounts payables	80	88	96	97	99
Short term loans	0	0	0	0	0
Others	9	8	11	11	11
Total current liabilities	**88**	**96**	**107**	**108**	**110**
Long term loans	0	0	0	0	0
Others	2	2	2	2	2
Total non-current liabilities	**2**	**2**	**2**	**2**	**2**
Total Liabilities	**90**	**98**	**109**	**110**	**112**
EQUITY					
Non-controlling interests	0	0	0	0	0
Shareholder Equity	**152**	**150**	**236**	**242**	**247**

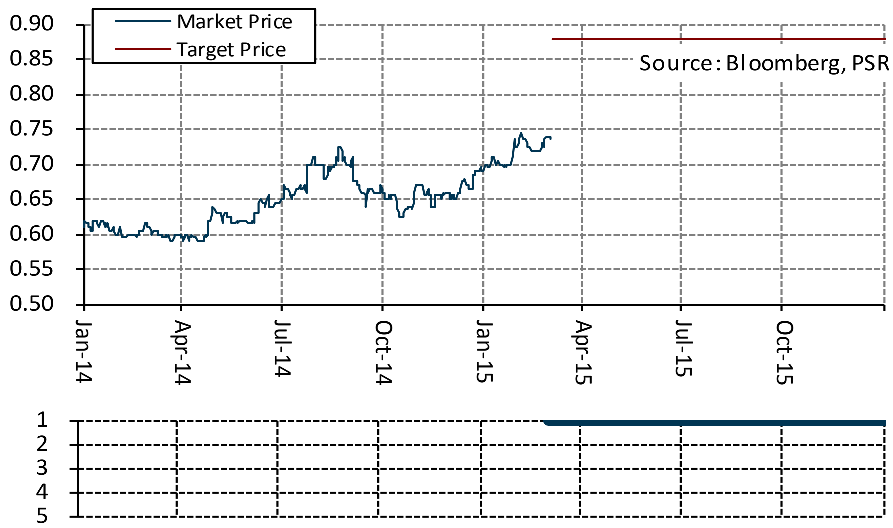
Valuation Ratios

Y/E Dec	FY12	FY13	FY14	FY15F	FY16F
P/E (X), adj.	27.0	21.8	21.0	20.0	18.9
P/B (X)	5.6	5.7	4.2	4.4	4.3
EV/EBITDA (X), adj.	12.4	13.2	12.9	12.6	12.0
Dividend Yield (%)	4.5%	4.2%	4.3%	4.5%	4.7%
Growth & Margins (%)					
Growth					
Revenue		7.9%	5.6%	4.8%	2.5%
EBITDA		-2.7%	19.8%	9.4%	5.4%
EBIT		19.7%	22.2%	9.0%	6.0%
Net profit, adj.		24.7%	22.3%	10.1%	5.8%
Margins					
Gross margin	22.1%	23.0%	24.2%	24.6%	25.0%
EBITDA margin	9.1%	8.2%	9.3%	9.7%	10.0%
EBIT margin	7.8%	6.8%	7.8%	8.1%	8.4%
Net profit margin	4.9%	5.7%	6.6%	6.9%	7.1%
Key Ratios					
ROE (%)	20.6%	25.8%	24.7%	21.9%	22.7%
ROA (%)	12.9%	15.9%	16.0%	15.0%	15.6%
Net Debt/(Cash)	(120)	(100)	(130)	(121)	(116)
Net Gearing (X)	Net Cash	Net Cash	Net Cash	Net Cash	Net Cash

Source: Company, Phillip Securities Research (Singapore) Estimates

*Forward multiples & yields based on current market price; historical multiples & yields based on historical market price.

Ratings History



PSR Rating System

Total Returns	Recommendation	Rating
> +20%	Buy	1
+5% to +20%	Accumulate	2
-5% to +5%	Neutral	3
-5% to -20%	Reduce	4
<-20%	Sell	5

Remarks

We do not base our recommendations entirely on the above quantitative return bands. We consider qualitative factors like (but not limited to) a stock's risk reward profile, market sentiment, recent rate of share price appreciation, presence or absence of stock price catalysts, and speculative undertones surrounding the stock, before making our final recommendation

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